

**Virginia Hamilton
California Workforce Association**

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I want to thank the Commission for the opportunity to speak here today. I am the Executive Director of the California Workforce Association, a non-profit that develops public policy strategies and builds local capacity to address critical workforce issues. The Association represents California's 50 Workforce Investment Boards, over 200 One-Stop Career Centers and other local non-profits, government, educational institutions and community based organizations involved in training, education, economic development, welfare, and employment. Much of the funding for these agencies flows from the federal government through the current Labor and Workforce Development Agency.

Today I am going to speak to the establishment of the Labor and Economic Development Department and its divisions and boards, focusing largely on the workforce and economic development divisions.

Public Policy Context

As many of you know, and are probably beginning to appreciate even more after sitting through these hearings, public policy today is complicated, interrelated, cross jurisdictional, cross functional, cross disciplinary, and multi generational. Economic development used to be (I am exaggerating to make a point) - let's lure that big company away from another state and into our community. Today, economic development professionals are concerned with the availability of skilled workers, access to capital, the fiscalization of land use, prevailing wages, cost of electricity and other infrastructure issues, workers compensation and other "cost of doing business in California" issues.

Workforce development encompasses a similar list - affordable housing, transportation, access to childcare, and healthcare are all being addressed by local

Workforce Investment Boards as they tackle big tough workforce issues in their communities. Ensuring that youth come out of high school with basic skills and that adults have access to continuing education - these are workforce concerns as well. And, I am sure you heard similar stories when confronting foster care, criminal justice, welfare, mental health and others.

Since all of these issues are so intertwined, the establishment of a set of state agencies to devote themselves to a discrete set of issues is daunting. Subject areas overlap and many of these programs have distinct mandates and requirements in federal law - so you can't just start from scratch. This requires that all of these programs develop mechanisms to interact; and that state level reorganization needs to reflect that. The CPR made an attempt to make some distinctions among programs, aligning in large part along traditional lines; in some cases moving pieces that seem to make more sense together.

CPR Recommendation to establish a Department of Labor and Economic Development

To us, the CPR recommendation to establish a Department of Labor and Economic Development *does* make sense (although we might argue about the name). The Governor's primary focus is on jobs; skilled workers are often the most important asset in economic development efforts. We believe that placing workforce development and economic development programs in the same department reflects the right mental model. It sends the right message to the public, to employees of the department and to the business community. Many local Workforce Investment Boards have already organized themselves in this way.

Reorganizing government to link workforce and economic development also opens up a new set of solutions and ways of thinking. This is important because mental models often limit solutions - if we think crime is caused by poverty, then we focus on alleviating poverty; if we think it is caused by abusive parents, we focus on child abuse prevention. The focus of workforce development has shifted in the last decade

from a social program with economic benefit to an economic development program with social benefit. Workforce Boards and One-Stop career centers have shifted their focus from job seeker as customer to business as customer.

The new Department is the right approach - it is intrinsically important - and we need to ensure that economic and workforce development are linked at every level of the organization; not just in name.

What will it achieve?

I was asked to consider some questions with respect to the recommendations - will the recommendations improve access to services; delivery of services; outcomes? Will they improve program efficiencies; produce savings; change program delivery? The short answer is that apart from the intrinsic value I mentioned above and the *potential* for a new way of doing business, the reorganization in and of itself probably accomplishes very little.

Perhaps there is cost savings in moving the Tax Branch out altogether into an organization with other tax collection duties; maybe there are some economies of scale in putting benefit programs together (although there is a potential down side to further de-coupling the unemployment insurance program from services designed to help get workers back to work); and yes, we hope that better real-time labor market data will help make better decisions.

Let me emphasize a point about this new department and its programs. Reorganizing at the state level *does not* result directly in savings to the general fund, reduction in state staff, or better services to customers. This is because virtually all of the funding for workforce and economic development programs is either federal or comes from local government. Similarly, the majority of workforce and economic development services delivered through the proposed new Department are not delivered by state workers but rather through local government and non-profit agencies.

Role of the Department of Labor and Economic Development

The role of the Department of Labor and Economic Development is in some sense even more important to consider than the specific reorganization strategy. Unlike direct line management in a department like DMV for example, this department has the responsibility to help build a system of service delivery among a wide set of local government partners, serving as a catalyst, removing barriers and guiding public policy. Achieving the goals set out in the CPR recommendations requires that the Department collaborate with a broad set of public and private sector organizations to improve the business climate, increase the number of jobs, attract and retain business in California. This does not happen at the state level; economic development is local.

We do believe that a stronger and better-coordinated system at the state level translates into stronger more coordinated systems at the local level. A way to envision the role the Department could play is by looking at several examples of large corporate systems - VISA and FTD. In each case, there are thousands of "operators" around the world providing services to customers. The operators (banks and florists) actually compete with each other in certain circumstances, but have developed a working agreement to cooperate as part of a system.

The role of the central organization is to take care of the *system* - not to govern the individual operators, nor provide services themselves. System issues that are central to all operators include marketing and branding, management information and communication strategies, development of policies affecting the whole system, supporting innovation, research and development, quality control, and development of any service or product with which the whole system will benefit. This role translates neatly into the potential role of the Department of Labor and Economic Development in the support of a wide network of local economic development and workforce development agencies, and we encourage the Department to think through

how it can support local organizations where appropriate and add value to the system rather than functioning as a “control agency.”

Keys to making this reorganization successful

- ✓ The State Economic Strategy Panel and California Workforce Investment Board (CWIB) should be given an important role to play. These volunteer boards, led by the private sector, should be developing California’s policies to guide funding decisions, program design and priorities and strategic directions. The Strategy Panel should provide overall guidance for understanding California’s regional economies, and access to good local labor market information. The CWIB should partner with local WIBs to develop a compelling vision for workforce development and a policy framework to drive statewide and local efforts. It should provide advice to the Governor about all aspects of workforce policy.
- ✓ The Employment Training Panel (ETP) should not be eliminated, AND it should be more closely aligned with the CWIB and local workforce programs. The CPR recommendations mischaracterize the purpose of the Panel, which was established to guide the use of the fund. There should be further examination of ways to integrate the use of ETP and Workforce Investment Act funding so that the business community sees more seamless government services.
- ✓ Recommendation ETV02 should not be implemented. This sets up a similar board - the Education and Workforce Council - to work on the same issues as the Department and the California Workforce Investment Board but without the critical leadership of the private sector. All of the proposed members of the Education and Workforce Council already sit on the CWIB, and could use this board to address issues of joint concern with the education community. The CWIB is required by federal law, and could be used to also fulfill the proposed function, eliminating the need to create a new Council. If a new Council is established, its scope should be carefully designed to eliminate potential duplication, and in particular, the review of the use of Governor’s Workforce Investment Act discretionary funds should be removed from their mandate. This is the responsibility of the CWIB under federal law, and benefits greatly from the input of the private sector.
- ✓ Recommendation GG23 should not be implemented. This requires the Department to “reduce administrative overhead costs for local Workforce Investment Areas.” This recommendation is based on incomplete and inaccurate information, and gives the Department responsibilities inconsistent with what we believe their role should be.
- ✓ The Governor’s Committee for the Employment of People with Disabilities and the California Career Resources Network (CCRN) should not be eliminated, but

should be considered as committees under the CWIB. The Governor's Committee will be particularly important as an advisor in integrating the Department of Rehabilitation programs into the new Department. The CCRN is a good example of a strong collaboration among state agencies producing career exploration products for youth and adults.

- ✓ Further work should be done by the CWIB to determine which additional programs could be integrated. Although CPR recommends the addition of vocational rehabilitation and apprenticeship programs, there are many other workforce development programs that could potentially fall under the purview of this department, or at least be part of the unified planning and policy consideration of the CWIB.
- ✓ The new department should consider models implemented in other states where administration of the Job Service and Trade Act programs were devolved from the state agency down to the local Workforce Investment Boards. In other large states, workforce development reform has included shifting administration and/or policy guidance for these programs to the State and local WIBs.

Conclusion

Think big. Our testimony is grounded in a belief that workforce and economic development are the most critical of policy issues for California. They are the only policy areas that directly link the ability of California companies to compete, the ability of communities and regions to retain and grow key industries, and the opportunity of working people to develop the skills needed to prosper in a changing economy. California's future, both economically and in terms of quality of life, depends on attention to building communities with a competitive advantage. Establishing a new Department is a strategic first step, but will have little value unless other steps are taken to provide real leadership and reform.

Attached to this testimony is a policy framework developed by the California Workforce Association to help local Workforce Investment Boards serve as catalysts for creating a competitive workforce advantage in their communities. This framework has been well received nationally by the US Department of Labor's Employment and Training Administration and the National Governors Association. It has been adopted by the National Council on Education and the Economy as an economic development

training tool. We believe this framework can be also help guide state economic and workforce development policy through the proposed Labor and Economic Development Department and, in particular, through the California Workforce Investment Board. To download the framework, go to:

<http://calworkforce.org/ezupload/files/Documents/competitive%20advantage.pdf>

Thank you for this important opportunity.

March 2004

California Workforce Association

Building Communities with a Competitive Workforce Advantage

Draft Policy Framework

INTRODUCTION

The California Workforce Association is a statewide non-profit membership organization that develops public policy strategies and local capacity to address workforce issues in California. The Association's unique composition of private-sector volunteer boards, governmental agencies, and community-based organizations allows it to represent and serve both the public interest and California employers.

The current workforce development system can and should be improved. What we think has been missing, however, is a vision of the "end game." Efforts to streamline systems and coordinate agencies and services are taking place at every level of government, and these efforts are needed. Streamlined systems are good government. More recent initiatives have centered on ways to realign workforce development agencies to respond to the demands of businesses. Better more relevant services to employers will definitely improve their bottom line. But what outcomes will serve the broadest interests of the community and assure California's economic vitality?

With a grant from the James Irvine Foundation, CWA has convened hundreds of stakeholders and private sector business leaders to develop a new framework with which to think about the role of Workforce Investment Boards and the purpose of workforce development entities. This framework shifts attention away from workforce agencies and delivery systems, broadening the vision instead to the overall competitiveness of communities and regions. The end game is best played when we focus on the overall competitiveness of the labor force in our local communities and regions. Participants in CWA's initiative have constructed a framework that describes communities with a competitive workforce advantage. We believe that Workforce Investment Boards should see their role as stewards of this framework, ensuring that each characteristic of such a community has active champions and players. The Board's role is to catalyze attention and action in each arena, and to seek data and information with which community leaders in all domains can make better public policy decisions.

This paper describes our thinking about the characteristics of a community with a competitive workforce advantage. We have described the ideal community, in which all of the seven characteristics are in place. We use the term community, but this could refer to a region, a group of cities or counties, or one city. To help stimulate thinking, we have included examples of the kinds of roles WIBs are currently playing in each of the arenas. This is still a work in progress, and we are interested in continued dialogue and feedback about this framework.

Seven Characteristics of a Community with a C

Forward Thinking Community Leaders

Each community with a competitive workforce advantage has a set of community leaders who care about and are engaged in workforce issues. This leadership includes local elected officials, business, non-profit and faith-based leaders, and "civic entrepreneurs," all of whom understand that the needs of business and the skills of its workers are critically important to the economic health of the region. There is strategic rather than reactive political leadership. Community planning is based on data, and leaders have a deep understanding of the demographics of its workforce and the present and future skill requirements of its key industries.

Business Investment in Human Capital

Each community with a competitive workforce advantage has businesses in which workers are viewed as assets. Employers invest in training workers to meet present and future needs. Employers work with others in their industry -- both other companies and organized labor -- to anticipate training and skills development needs. Employees are aware of opportunities for advancement and are given incentives to improve their skills.

Strong and Diverse Economy

Each community with a competitive workforce advantage uses workforce as part of their economic development strategy. The community has both a business retention and a growth strategy, as well as the more traditional business attraction approach. There are multiple sectors represented in the region. There is "life cycle" diversity within the region -- a mix of older established industries, growing sectors, and new and emerging industries. Investments in economic development are strategic and focus on employers with high wage jobs in addition to businesses with high sales tax revenue.

Integrated Infrastructure

Each community with a competitive workforce advantage has an infrastructure for both employers and workers. In addition to physical infrastructure for businesses -- such as roads, water, and electricity -- it includes a diverse housing supply, access to affordable quality childcare, health care and adequate regional transportation. Residents have access to a One-Stop career center system that helps them find and keep jobs. There are sufficient cultural and recreational opportunities and other "quality of life" assets.

What WIBs do:

- Engage and inform County Boards of Supervisors, Mayors and City Councils
- Convene summits about workforce issues
- Publish "State of the Workforce" reports
- Invite elected officials to WIB meetings and One-Stop tours
- Convene focus groups with key industry clusters
- Participate in community planning efforts

What WIBs do:

- Convene employers in the same industry to discuss skills needs
- Connect employers to public resources for skills upgrade training
- Act as a broker with community colleges/higher education and University Extensions for curriculum design
- Provide data about prevailing wages, occupations, future trends
- Act as human resource departments for small business

What WIBs do:

- Have cross representation on WIBs and Economic Development corporations and agencies
- Participate in overall economic development planning
- Cross-train front line staff in One-Stops and economic development organizations
- Collect and provide information about the community's workers and their skills
- Participate in co-developed employer retention surveys with economic development

What WIBs do:

- Participate in a broad range of regional and community planning efforts
- Include a broad range of partners and services in One-Stops
- Advocate for changes in public policy and administrative procedures
- Engage local elected officials in problem solving
- Have cross representation on WIB and community board and agencies

Competitive Workforce Advantage

Effective, Articulated Education System

Each community with a competitive workforce advantage has a K-12 system that works. High school graduates have the requisite skills to enter the labor force or go on to college. The education system is responsive to employer needs. The system is well articulated from high school to community college and higher education programs. Residents have easy access to higher education and non-degree occupational training that prepares them well for jobs in the community. All students have access to the supportive services they need, career guidance, caring adults, leadership opportunities and academic excellence.

Clearly Defined and Accessible Career Pathways

Each community with a competitive workforce advantage has ongoing communication between industry and education/training entities. Education & training programs are designed with a deep understanding of how people move within occupational clusters. Students, job seekers and workers see clear career pathways within occupational groupings and understand how skills build upon one another to meet the needs of business. There are strong connections to union apprenticeship programs. Employers within an industry understand their career pathways and encourage skill development within the worker pipeline.

Ready, Willing, and Able Workforce

Each community with a competitive workforce advantage has employers who can recruit local residents for available jobs. The labor pool has the knowledge, skills and ability needed by employers. Job training programs produce workers who meet employers' needs. Job applicants have minimally acceptable soft skills. People have the willingness to perform jobs. Economic Development uses information about the available labor pool as a key component of their business attraction strategy.

What WIBs do:

- Establish and nurture strong youth councils that work for all youth
- Catalyze dialogue between employers and education
- Collect and provide information about skills needs
- Include youth in One-Stop system services
- Provide accessible information about careers
- Provide accessible information about performance of job training programs and providers

What WIBs do:

- Convene employers within an industry to study career pathways
- Collect and disseminate information about career pathways and occupation requirements
- Partner with labor unions
- Train career guidance counselors and others in career information

What WIBs do:

- Develop measures to evaluate the quality of job training programs
- Ensure quality in One-Stop career centers
- Develop customized training to meet employer needs
- Partner with community colleges and other education programs to deliver quality training
- Reach into all communities and constituencies to connect people to jobs and training
- Find funding to meet community needs for training



california workforce association

1029 K Street, Suite 24
Sacramento, CA 95814

(916) 325-1610
(916) 325-1618 fax

www.calworkforce.org

California's Workforce Investment Board Chairs

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Valley Independent Bank
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Account Executive, Southern California Edison
Chair, Tulare County WIB

Jerry Dominguez

Regional Manager-Southern Division
Southern California Edison
Chair, Orange County WIB

Mike Dourgarian

General Manager and Franchise President
Manpower Staffing Services
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Ray Gonzalez

Regional Manager
Southern California Edison
Chair, City of San Bernardino WIB

Robert L. Green

Owner, Robert L. Green & Associates
Chair, Napa Valley WIB

Morgan Clayton

Tel-Tec Security Systems, Inc.
Chair, Kern/Inyo/Mono WIB

Randall Hansen

Express Personnel
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Lane V. Hart

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Jennifer Hawtof

Berlex Biosciences
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Chair, Merced County WIB

Russ Jensen

Mid-State Bank and Trust
Chair, San Luis Obispo County WIB

Dean Johnston

President, Santa Barbara Business College
Chair, Santa Barbara WIB

Debbie Kukta

CEO, Trojan Rivet Corporation
Chair, Verdugo Workforce Investment Board

Jim Lambert

Lambert Insurance Agency
Chair, North Central Counties Consortium

Barbara Leslie

Director of External Affairs, SBC
Chair, Oakland WIB

Kirk Lindsey

President, Brite Transportation Systems
Chair, Stanislaus Economic Development
and Workforce Alliance

Judith Madden

Madden Plumbing and Heating
Chair, Northern Rural Training
and Employment Consortium (NoRTEC)

Joe McGarry

HR Consultant, Kaiser Permanente
Chair, Marin County WIB

Michael Metzler

President, Santa Ana Chamber of Commerce
Chair, Santa Ana WIB

Brian Miner

VP/CFO, Low Tech Automation, Pneucan
Chair, Mother Lode WIB

David Nemeth

American Express Financial Planners
Chair, Madera County WIB

Richard Nichols

El Monte Chamber of Commerce
Chair, Los Angeles County WIB

Rachel Peugh

Owner, LINK Business & Personnel Services
Chair, Mendocino County WIB

Kathleen Robinson

Robinson & Associates
Chair, Contra Costa WIB

Alice Saviez

Saviez Farms
Chair, Fresno County WIB

Clysta Seney

Applied Materials
Chair, North Valley Job Training Consortium (NOVA)

Dan Schroeder

Neumiller & Beardslee
Chair, San Joaquin County WIB

Ronald Shanoian

Safety Manager, J.G. Boswell Company
Chair, Kings County WIB

Wayne Spencer

Trans North American Protection
Chair, South Bay WIB

Jerry Trautman

Kenny's Auto Service
Chair, Southeast Los Angeles WIB (SELACO)

J. Thomas Van Berkem

Senior Vice President
Wellpoint Health Networks
Chair, Ventura County WIB

William E. Wagy

Equipment Manager, Granite Construction, Inc.
Chair, Santa Cruz County WIB

Chip Waterman

HR Manager, Blue Shield of California
Chair, Yolo County WIB

Charlie Woo

President, Mega Toys
Chair, City of Los Angeles WIB